August 20, 2001

TO: Dottie Kingsley

FROM: Howard W. Bell, Jr.

RE: Market Environment Best Practices

According to the 1998 <u>Best Practices</u> book by Arthur Andersen, one way to begin the process of excelling at customer service is to engage in a "best-practice audit" like the one used at Coffee Xpress. This audit involved the following five steps:[1]

1. A multiple-step analysis that identified the problem areas that required attention.
2. A study to find the current flaws in the major business processes and sub-processes that contributed to that problem.
3. A search for possible best practices using a strong "process view".
4. A systematic evaluation of each best practice to determine which ones would have the greatest impact.
5. An exploration of ways to incorporate best-practice insights into the processes that affected the problem area.

Based on our discussions and meetings with each of the Channels and the other two units of SFA's analysis function, there appears to be, within each Channel, a reasonable understanding of the players and market forces impacting it. However, there does not appear to be an SFA-wide understanding of its market environment or the interrelationship of the market environments across Channels. The possible exception to this conclusion is what appears to be a reasonable qualitative understanding of the market environment involving the many governmental players affecting SFA.

One way to achieve an understanding of an organization's market environment is to gather information about its customers, suppliers, competitors, and other entities or forces that may have an impact on it to include other industries and any relevant aspects of society to include the government.[2]

A number of sources exist for finding information about the above entities. Some potential sources are external to the organization like industry and trade association statistics, government and financial reports, patent filings, and academic and trade literature.[3] Internal sources include reports from customer service representatives and other personnel with customer, supplier, and/or competitor points of contact.

However, whatever the source of information, managers within an organization "should continually study the entire value chain – from the supplier's capabilities to

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[1] Best Practices: Building Your Business with Customer-Focused Solutions, Arthur Andersen (Robert Hiebeler, Thomas B. Kelly, and Charles Ketteman), Simon & Schuster, copyright 1998, page 37.
[2] Ibid. pages 50 and 51.
[3] Ibid. page 51.

competitors' actions, to changes in the distribution channels, to subtle changes in end users' behaviors."[4] Obtaining this information can enable an organization to react to, or even anticipate, changes faster than its competitors. In addition, an "industry analysis needs to go beyond merely identifying key players in the marketplace. It must *profile* them, specifying their relative size and growth rates, evaluating their strengths and weaknesses, and studying key events and alliances in their value chains."[5]

One company featured in this book, Corning Incorporated, uses a technique of "road mapping" events and technology to better "understand its customer's total business environment."[6] To accomplish this the "company establishes a cross-functional team comprising experts from marketing, technology, and manufacturing to develop event maps with customers and other industry leaders."[7] The rationale behind this approach, as articulated by Corning's director of process management in science and technology, is that "You have to be able to anticipate what's going to happen five or ten years from now and what that's going to mean to your technology development programs."[8]

The following are a series of questions designed to begin a dialogue to determine what information currently exists within SFA or needs to be collected by one or more units within SFA to develop an organization-wide understanding of its market environment.

1. Who are the key external stakeholders for the Financial Partners, Schools, and Students Channels and the CFO and CIO Enterprise units?

    a. How does each stakeholder enable SFA to deliver its services?
    b. What are the service and information sharing relationships between or among each:

        i. Stakeholder?
        ii. Stakeholder and each Channel and Enterprise unit within SFA?

2. What are the customer and other stakeholder "sub-channels" within the Financial Partners, Schools, and Students Channels and the CFO and CIO Enterprise units?
3. Within which customer and other stakeholder sub-channel do a small number of entities account for the majority of the sub-channel's market and what is the:

    a. Name and profile of each of these entities?
    b. Relationship of these entities to:

        i. The other sub-channels across SFA?
        ii. Each SFA Channel and Enterprise unit?

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[4] Idem.
[5] Ibid., page 52.
[6] Ibid., page 53.
[7] Idem.
[8] Ibid., pages 53 and 55.

iii. Governmental agencies other than SFA?

4. Who are the major competitors of SFA's Financial Partners, Schools, and Students Channels?
5. For each major competitor:

   a. What services does it offer?
   b. What are the advantages and disadvantages of each of its services when matched with comparable SFA services?
   c. What is its percentage market share?
   d. How much has its market share grown or shrunk during the past five years?
   e. What are its strengths and weaknesses?
   f. What data sources does it use to decide whether to buy, sell, or underwrite a loan?
   g. How do the data sources used by it compare with the data sources used by SFA in terms of:

      i. Accuracy?
      ii. Completeness?
      iii. Ease of access?
      iv. Reliability?

   h. What is its relationship to each Channel and Enterprise unit within SFA?

6. For the data sources used by SFA to make and/or underwrite loans and/or grants:

   a. What data sources are used?
   b. What are the strengths of each data source?
   c. What are the weaknesses of each data source?
   d. Who owns the data in each data source?
   e. What units within SFA use the data source?
   f. What entities outside of SFA use the data source?

If, as this memorandum states, a problem at SFA is the lack of an organization-wide understanding of its market environment then a first step in addressing this problem, using a best practices approach, is to better define the impacts of this problem. At the same time I will need to engage in further research to identify the best practices used by various organizations to understand their market environment. To assist me in this endeavor I sent an email to Linh, earlier today, asking him to "add to the list of items to be researched by your staff, the best practices used by organizations to better understand the market environment in which they operate." While a number of companies are cited in the Best Practices book, a common thread among most of them is the use of teams involving people from across the organization to address a problem or challenge. Hence, eventually a cross unit team will need to be formed to tackle the problem and identify the processes and sub-processes contributing to it.